

AR03



Annual Report 1964

file

DOMINION BRIDGE COMPANY, LIMITED

DIRECTORS

- R. J. BARRETT, Lachine, Que.,
President,
Dominion Engineering Works Limited.
- *L. J. BELNAP, Montreal,
Honorary Chairman,
Consolidated Paper Corporation.
- A. H. COWIE, Toronto,
Former Chairman of the Board,
Dominion Bridge Company, Limited.
- OLIVIER DROUIN, Quebec, Que.,
Chairman,
Rock City Tobacco Company (1960) Limited.
- E. A. FORD, Lachine, Que.,
Vice-President, Western Region,
Dominion Bridge Company, Limited.
- R. J. A. FRICKER, Lachine, Que.,
Vice-President, Eastern Region,
Dominion Bridge Company, Limited.
- *R. D. Harkness, Montreal,
Director,
Northern Electric Company, Limited.
- *D. S. HOLBROOK, Sault Ste. Marie, Ont.,
Chairman and President,
The Algoma Steel Corporation, Limited.
- VERNON E. JOHNSON, Montreal,
Director,
Canadian International Paper Company.
- HERBERT H. LANK, Montreal,
President,
Du Pont of Canada Limited.
- A. F. MAYNE, Montreal,
Executive Vice-President,
The Royal Bank of Canada.
- *MACKENZIE McMURRAY, Lachine, Que.,
President,
Dominion Bridge Company, Limited.
- *J. ANGUS OGILVY, Q.C., Montreal,
Vice-President,
Dominion Bridge Company, Limited.
Partner: Howard, Cate, Ogilvy, Bishop, Cope,
Porteous & Hansard.
- LAZARUS PHILLIPS, Q.C., Montreal,
Partner: Phillips, Bloomfield, Vineberg & Goodman
- R. E. POWELL, Montreal,
Honorary Chairman,
Aluminum Company of Canada Limited.
- W. CULVER RILEY, Winnipeg,
Chairman of the Board,
The Canadian Indemnity Company.
- *R. E. STAVERT, Montreal,
Director,
Consolidated Mining & Smelting Co. of Canada Ltd.
- *H. G. WELSFORD, Lachine, Que.,
Chairman of the Board,
Dominion Bridge Company, Limited.
- *Member of the Executive Committee.*



Annual Report 1964

DOMINION BRIDGE COMPANY, LIMITED

ON THE COVER

The graceful line of the Macdonald-Cartier Bridge contrasts in this painting with the old bridge in the shadows of Parliament Hill.

2,030 feet long and embracing some 11,000 tons of steel, it links Hull and Ottawa with a six-lane highway. It will be open to traffic in the fall of 1965. In design, magnitude and general public interest, it was the most significant bridge built by the Company during the year.

Nom......

Adresse.....

.....

DOMINION BRIDGE COMPANY, LIMITED

Incorporated under the Companies Act of Canada, 30th July, 1912
(As successor to a Company of the same name incorporated in 1882).

HEAD OFFICE
LACHINE, P.Q.

EXECUTIVE OFFICERS

H. G. WELSFORD, Chairman of the Board	E. A. FORD, Vice-President, Western Region
MACKENZIE MCMURRAY, President	R. J. A. FRICKER, Vice-President, Eastern Region
J. ANGUS OGILVY, Q.C., Vice-President	M. N. REID, C.A., Comptroller
WM. BAXTER, Secretary-Treasurer	

HEAD OFFICE STAFF

M. J. AYKROYD, Vice-President, Marketing	R. S. EADIE, Vice-President and Consulting Engineer
K. S. BARCLAY, Manager, Finance	J. H. R. GAGNON, Vice-President, Construction Services
C. C. BELDEN, Manager, Employee Relations	P. E. SAVAGE, Vice-President, Engineering Services

BRANCH, DIVISION AND SUBSIDIARY COMPANY GENERAL MANAGERS

EASTERN REGION

R. A. REID, Montreal Branch	E. R. GRAYDON, Ontario Branch
G. N. MARTIN, Boiler Products Division	W. D. HAGEN, Robb Engineering Division
D. H. CROSS, Mechanical Division	A. R. MEWETT, Eastern Canada Steel & Iron Works Ltd.

WESTERN REGION

B. H. LACEY, Winnipeg and Regina Branches	H. L. SMITH, Manitoba Rolling Mills Division
J. S. CAMPBELL, Manitoba Bridge and Engineering Works Division	W. D. GARRICK, Alberta Branch
	J. S. PRESCOTT, Vancouver Branch

WAREHOUSE DIVISION

E. W. Yeo

HEAD OFFICE

LACHINE (MONTREAL), QUE., CANADA

PLANTS AND OFFICES

Amherst - Montreal - Ottawa - Toronto - Sault Ste. Marie
Winnipeg - Selkirk - Regina - Calgary - Edmonton - Vancouver

SUBSIDIARY COMPANY

Eastern Canada Steel & Iron Works Limited, Quebec, Que.

TRANSFER AGENTS

The Royal Trust Company, Montreal, Toronto, Winnipeg and Vancouver

REGISTRARS

Montreal Trust Company, Montreal, Toronto, Winnipeg and Vancouver

BANKERS

The Royal Bank of Canada	Bank of Montreal	The Toronto-Dominion Bank
--------------------------	------------------	---------------------------

The Annual General Meeting of Shareholders
will be held in the Assembly Room of The Royal Bank of Canada,
Place Ville Marie, Montreal, on Wednesday,
February 10, 1965, at 11:45 a.m.

STATISTICS FOR 1964

Sales
Net Profit
Income Taxes
Profit per share
Dividends
Dividends per Share
Additions to Fixed Assets
Working Capital
Shareholders' Equity
Book value per share
Number of Shareholders 31st October
Number of Employees 31st October

TEN-YEAR COMPARATIVE STATISTICS for the Fiscal Years Ended 31st October

	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964
Sales	97,464,448	119,166,106	121,160,483	113,162,146	123,347,979	116,377,343	83,983,408	104,709,333	97,175,404	111,194,633
Net Profit	3,471,218	6,888,690	8,031,582	6,260,591	4,468,273	(2,116,778)	2,139,531	1,706,271	1,030,133	4,552,988
Income Taxes	2,627,378	4,996,048	5,808,456	5,118,466	5,079,067	(286,973)	469,935	56,060	92,873	150,750
Profit per share	\$1.35	\$2.68	\$3.13	\$2.44	\$1.74	—	\$.83	\$.66	\$.40	\$1.76
Dividends	1,798,828	1,927,316	2,441,267	2,569,755	2,569,755	2,569,755	2,064,745	1,809,501	1,034,000	1,292,500
Dividends per Share	\$.70	\$.75	\$.95	\$1.00	\$1.00	\$1.00	\$.80	\$.70	\$.40	\$.50
Additions to Fixed Assets	1,767,560	1,702,860	5,867,144	5,736,996	2,641,557	2,347,592	4,125,327	3,210,438	1,375,963	2,069,980
Working Capital	28,998,838	33,497,542	34,758,755	34,257,859	36,860,190	32,324,229	30,598,793	28,384,100	34,562,284	37,997,945
Shareholders' Equity	43,214,826	48,176,200	54,015,080	57,760,420	60,658,938	56,546,639	57,406,197	65,807,356	65,843,212	68,976,389
Book value per share	\$16.82	\$18.75	\$21.02	\$22.47	\$23.60	\$22.00	\$22.20	\$25.45	\$25.47	\$26.68
Number of Shareholders 31st October	7,200	7,750	7,733	8,007	8,557	8,920	8,758	8,309	7,593	6,532
Number of Employees 31st October	6,999	8,160	8,557	7,731	7,682	7,038	6,023	6,714	5,773	7,008

**DOMINION BRIDGE COMPANY,
LIMITED**

The Board of Directors submits herewith the Annual Report of the Company and its subsidiaries, together with the Consolidated Balance Sheet and related financial statements for the year ended 31st October, 1964, and the report of your auditors.

Summary of Results

Sales of \$111,194,633 compare with \$97,175,404 reported in 1963.

Net profit for the year was \$4,552,988, equal to \$1.76 per share, after providing \$150,750 for income taxes and \$2,076,009 for depreciation.

Dividends paid during the year amounted to \$1,292,500. After two payments of 10¢ per share the quarterly dividend was increased to 15¢ per share in June, making a total payment of 50¢ per share for the year.

The net profit reported in 1964 indicates a marked improvement over the results of the past few years; however, it must be noted that the net profit is considerably higher than it would have been had income taxes not been offset by the tax loss brought forward and other tax savings. There is still available approximately

\$2,000,000 of tax savings which must be claimed by 1966.

Bookings in 1964 were about 25% higher than in 1963 and the work-on-hand is also increased by a similar amount.

Conditions in the Industry

Demand for fabricated structural steel strengthened considerably throughout the year, especially in Eastern Canada. At the same time prices for structural steel products improved, although marginal levels still prevail in the Ontario market. This demand is expected to continue in Eastern Canada to meet requirements arising from the holding of The World's Exhibition in Montreal in 1967.

Shortages of all building materials have occurred, but new capacity coming into operation at Canadian steel mills during 1965 should improve this situation.

The promotional efforts of the fabricating industry and the basic steel mills are helping considerably in meeting the challenge of competitive materials.

Our total backlog of work-on-hand is greatly increased but the majority of this increase is centred in the Toronto and Montreal areas. Our other plants across Canada have improved backlogs but to a lesser extent. Notwithstanding this increased activity there is still unsold capacity available in the steel fabricating industry.

Financial

In spite of the increased activity of our operations our total borrowings have been kept to a minimum.

Certain properties redundant to our present operations were disposed of during the year and the profits realized on the sales were included in the 1964 earnings. These consisted of small parcels of land at various locations and some seventy-eight acres of property at Edmonton, Alberta no longer required for Company purposes.

On May 1, 1964 your Company purchased from its wholly-owned subsidiary, Robb Engineering Works Limited, located at Amherst, N.S., all its property, assets and business. From that date this business has been and will continue to be carried on as a division of this Company under the name of "Robb Engineering".

Capital Expenditures

Capital Expenditures incurred during 1964 amounted to \$2,069,980 and an authorized amount of \$888,000 is being carried forward into 1965. These expenditures include: the conversion of the plant at Sault Ste. Marie from a structural steel fabricating plant to one capable of producing welded wide-flange beams of a size larger than now being rolled in Canada; the replacement of various items of equipment which had become obsolete or worn-out; and the purchase of new tools and

equipment designed to reduce cost. There were no major building programmes carried out during the year but a great deal of time was spent by our own staff and by our consultants on plans for the proposed new melt shop at the Manitoba Rolling Mill. We expect these plans to be completed early in 1965.

Engineering and Research

The skills and techniques required in the fabricating industry have been undergoing great change. Architects and Consulting Engineers are finding that steel can today provide them with almost unlimited scope for freedom of expression in the design of their structures. As a result, the fabricator is being called upon to build structures of unusual form and increasing complexity which demand a high degree of creative engineering in design, fabrication and erection.

Through its staff of highly qualified engineers and technicians the Company is one of the few in Canada capable of providing the specialized skills necessary to the designers of such structures.

Employee Relations

During the year, negotiations were carried on with Unions involved in our construction operations at five branches. New Agreements were signed terminating in 1966.

At our Regina plant, after a strike which lasted

about nine weeks, a new contract was negotiated which will run for three years to October 1967.

Increasing attention has been given to recruiting and developing personnel for key management, administrative and professional positions to meet the future requirements of the business. As at October 31, the total of employees numbered 7,008. Of these 612 were members of the Twenty-five Year Club.

Shareholders

On June 26, 1964 The Algoma Steel Corporation, Limited made an offer directly to the shareholders to purchase 500,000 shares, more or less, at a price of \$30.00 per share. A majority of the shareholders deposited their shares, which were taken up on a pro-rata basis, with the result that Algoma, with their previous holdings, now own approximately 1,127,000 shares or an equivalent of 43 $\frac{1}{2}$ % of the outstanding capital stock of the Company.

At October 31, 1964 the total number of shareholders was 6,532 as compared to 7,593 the year before.

Stock Option Plan

At their meeting held on December 22, 1964, the Directors approved in principle a Stock Option Plan for a restricted list of key employees of the Company and reserved 100,000 unissued shares of the capital stock of the Company for that purpose.

Board of Directors

In August, Mr. H. G. Hilton tendered his resignation, after serving on the Board for more than nine years.

Mr. H. Greville Smith also tendered his resignation in August, after serving for more than five years.

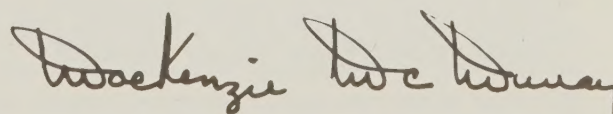
The Directors wish to record their appreciation of the valuable contributions made by Mr. Hilton and Mr. Smith to the deliberations of the Board during their years of service.

The vacancies on the Board were filled in August by the election of Mr. D. S. Holbrook, Chairman and President of The Algoma Steel Corporation, Limited, and Mr. A. F. Mayne, Executive Vice-President of The Royal Bank of Canada. Mr. Holbrook was also elected a member of the Executive Committee.

Meetings of the Board have been held regularly throughout the year.

The Directors wish to record their thanks and appreciation to the employees of the Company for their excellent contribution to the year's results.

By Order of the Board of Directors.



President

DOMINION BRIDGE COMPANY, LIMITED

and subsidiary companies

CONSOLIDATED STATEMENT OF EARNINGS

FOR THE YEAR ENDED 31ST OCTOBER 1964

	1964	1963
Sales — Completed contracts, warehouse materials, mill and other products	\$111,194,633	\$97,175,404
Earnings from operations before charging the undernoted items	6,534,664	2,721,904
Deduct:		
Directors' fees	30,000	25,000
Executive remuneration	213,000	157,664
Legal fees	96,192	70,785
Provision for depreciation and replacement (Note)	2,076,009	1,964,841
Interest on note due 30th April 1968	256,975	143,094
	2,672,176	2,361,384
Net earnings from operations	3,862,488	360,520
Add:		
Revenue from investments	540,123	577,565
Profit on sale of fixed assets	301,851	186,191
Earnings before taxes and minority interest	4,704,462	1,124,276
Deduct:		
Provision for taxes (Note)	150,750	92,873
Minority interest	724	1,270
	151,474	94,143
Net profit for the year	\$ 4,552,988	\$ 1,030,133

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

AS AT 31ST OCTOBER 1964

Balance of retained earnings brought forward from previous year	\$ 40,585,668	\$40,549,812
Net profit as above	4,552,988	1,030,133
Adjustments of prior years' earnings and taxes	(127,647)	(5,277)
Operating reserve no longer required	—	45,000
	45,011,009	41,619,668
Deduct:		
Dividends for the year	1,292,500	1,034,000
Earnings retained in the business as per balance sheet	\$ 43,718,509	\$40,585,668

DOMINION BRIDGE COMPANY, LIMITED

and subsidiary companies

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED 31ST OCTOBER 1964

	1964	1963
Source of funds—		
Net profit	\$4,552,988	\$1,030,133
Non-cash charge for depreciation deducted in arriving at net profit	2,076,009	1,964,841
Proceeds from the sale of fixed assets, less profit there- on included above	211,312	87,688
Proceeds of 4 ³ / ₄ % Note due in 1968	—	5,379,688
Current instalments of mortgage receivable	85,000	85,000
Operating reserve no longer required	—	45,000
Increase in minority interest	724	1,270
	<u>6,926,033</u>	<u>8,593,620</u>
Application of funds—		
Additions to fixed assets	2,069,980	1,375,963
Dividends for the year	1,292,500	1,034,000
Adjustments of prior years' earnings and taxes	127,647	5,277
Dividends to minority shareholders of subsidiary	245	196
	<u>3,490,372</u>	<u>2,415,436</u>
Increase in working capital.	<u>\$3,435,661</u>	<u>\$6,178,184</u>

NOTE TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st OCTOBER 1964

Income taxes otherwise payable for the year have been reduced by approximately \$1,600,000 through the combined application of prior years' tax losses (\$750,000), a deduction made under the provisions of section 12(3) of the Income Tax Act in effect in 1962 (\$500,000), and capital cost allowances which the Company intends to claim in excess of depreciation charged in the accounts (\$350,000).

Future tax savings of approximately \$2,000,000 could result from the application of remaining prior years' tax losses and additional deductions under section 12(3) of the Income Tax Act in effect in 1962.

The accumulated amount by which taxes otherwise payable have been reduced in this and prior years by claiming for tax purposes capital cost allowances in excess of depreciation charged in the accounts is approximately \$2,000,000, of which approximately \$1,650,000 has arisen as a result of reassessment in 1964 of prior years' income tax returns. Conversely income taxes may be increased in future years if the provisions for depreciation in the accounts exceed the amounts which may be claimed for income tax purposes.

Consolidated Balance Sheet

AS AT 31ST OCTOBER 1964

ASSETS	1964	1963
Current assets		
Cash	\$ 129,571	\$ 71,714
Deposits on tenders	792,004	609,797
Accounts and notes receivable, less provision for doubtful accounts	21,540,873	20,397,690
Expenditure on uncompleted contracts, at standard cost, less reserve	31,142,522	31,977,093
Stock of steel, supplies and small tools at lower of cost or market value, less reserve	19,800,078	17,128,822
Unexpired insurance, taxes and other expenses paid in advance	859,822	892,046
	<u>74,264,870</u>	<u>71,077,162</u>
Less: Billings on account of uncompleted contracts .	18,556,986	21,256,702
	<u>55,707,884</u>	<u>49,820,460</u>
Non-current assets		
Mortgage receivable (repayable \$42,500 semi-annually) \$680,000		
Less: Current instalments included above <u>85,000</u>	595,000	680,000
Investments in other companies at par value (approximate market value \$16,398,774)	10,933,170	10,934,334
Fixed assets		
Real estate, plant, machinery and equipment at cost . . .	57,943,367	56,632,182
	<u>\$125,179,421</u>	<u>\$118,066,976</u>

Approved on behalf of the Board:

H. G. WELSFORD *Director.*

MacKENZIE McMURRAY *Director.*

DOMINION BRIDGE COMPANY, LIMITED

and subsidiary companies

LIABILITIES	1964	1963
Current liabilities		
Bank and short term loans	\$ 3,491,308	\$ 5,840,646
Bank loans for tender deposits	769,736	581,645
Estimated income taxes payable	106,154	79,670
Accounts payable	12,954,991	8,497,715
Dividend payable	387,750	258,500
	<u>17,709,939</u>	<u>15,258,176</u>
4¾% note due 30th April 1968 (\$5,000,000 U.S. funds)	5,379,688	5,379,688
Accumulated provision for depreciation and increased cost of replacing fixed assets	33,104,215	31,577,189
Minority interest in subsidiary company.	9,190	8,711
Shareholders' Equity		
Capital Stock—		
Authorized—		
4,000,000 shares of no par value		
Issued—		
2,585,001 shares of no par value	16,226,286	16,226,286
Earnings retained in the business	43,718,509	40,585,668
Unrealized appreciation of investment (representing revaluation to par value)	9,031,594	9,031,258
	<u>68,976,389</u>	<u>65,843,212</u>
Contingent Liability: Municipal taxes of \$138,000 in dispute		
	<u>\$125,179,421</u>	<u>\$118,066,976</u>

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Dominion Bridge Company, Limited, its wholly-owned subsidiary companies and Eastern Canada Steel & Iron Works Limited, a partly-owned subsidiary, as at 31st October 1964, and the related consolidated statements of earnings and retained earnings for the year then ended and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion and according to the best of our information and the explanations given to us and as shown by the books of the companies, the accompanying consolidated balance sheet and consolidated statements of earnings and retained earnings are properly drawn up so as to exhibit a true and correct view of the state of the combined companies' affairs as at 31st October 1964 and the results of their operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the previous year.

Montreal, Que.

11th December 1964

RIDDELL, STEAD, GRAHAM & HUTCHISON.
Chartered Accountants.



BUILDINGS

Across the country steel is being vigorously promoted as a modern efficient building material. It knows no limits in the hands of the imaginative architect. During 1964, the Company obtained a liberal share of the construction opportunities, and a few of these are noted here.

SIR GEORGE WILLIAMS UNIVERSITY

This 14-storey building in the heart of Montreal's downtown commercial section required 7,000 tons of steel framing. Careful planning of shop fabrication procedures permitted a fast, highly efficient field erection programme.

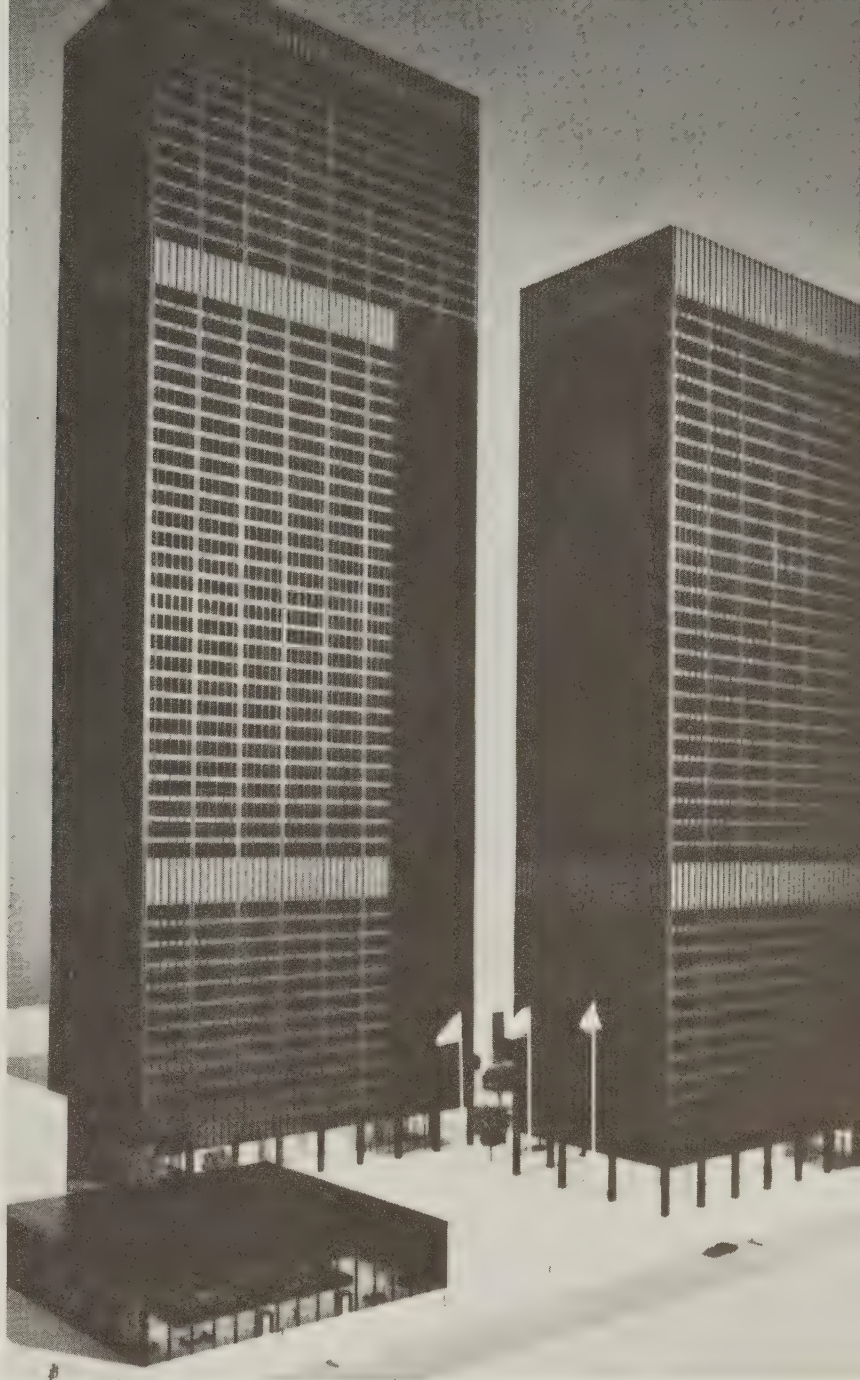


TORONTO-DOMINION BANK

The highest building in the world outside of New York City is now under construction in Toronto. 30,000 tons of steel are being fabricated and erected as a joint venture with Frankel Structural Steel Limited. Canadian sources will supply about eighty per cent of the steel requirements, while the largest sections ever rolled will come from the United States.

GUINNESS HOUSE

The fabrication of Guinness House completed the last of the three buildings in downtown Calgary that are Elveden House Place. Steel for the centre section was put up by the Company in 1960, and the B.A. tower on the right in 1961. This complex of office buildings is one of the most impressive in the Prairie provinces.



ST. LAWRENCE COLLEGE

A building of unusual interest in suburban Quebec City. Erected in two months in the middle of winter by Eastern Canada Steel & Iron Works Limited, it is a good example of the imaginative use of steel as a framing material.



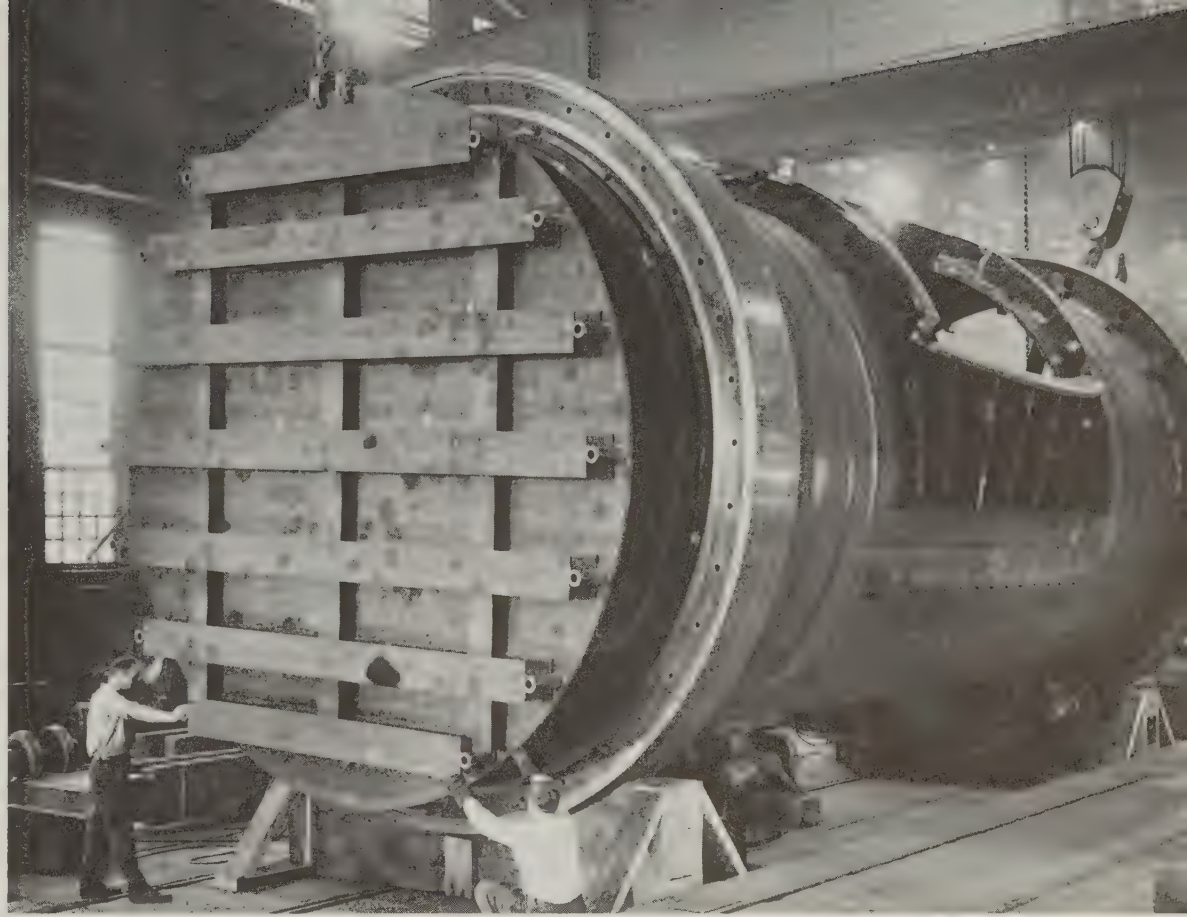


ANTENNA STRUCTURES

The design, fabrication and erection of steel into structures for the communications industry is one in which the Company has a proud record. A radio telescope, microwave relaying towers, television and radio antennae for civil and defence use were supplied during the year. This photograph shows one of nineteen towers built for Hydro Quebec's new Hauterive to Montreal microwave line which will form part of a protective system for their new 735 KV power line.

COPPER CONVERTER

This huge copper converter for Noranda Mines Limited is typical of heavy plate structures fabricated for industry. Designed by the company to specifications supplied by the customer, it is one of the largest units of its kind ever made. It is shown here in the Montreal shops during assembly of the end plates to the main shell.

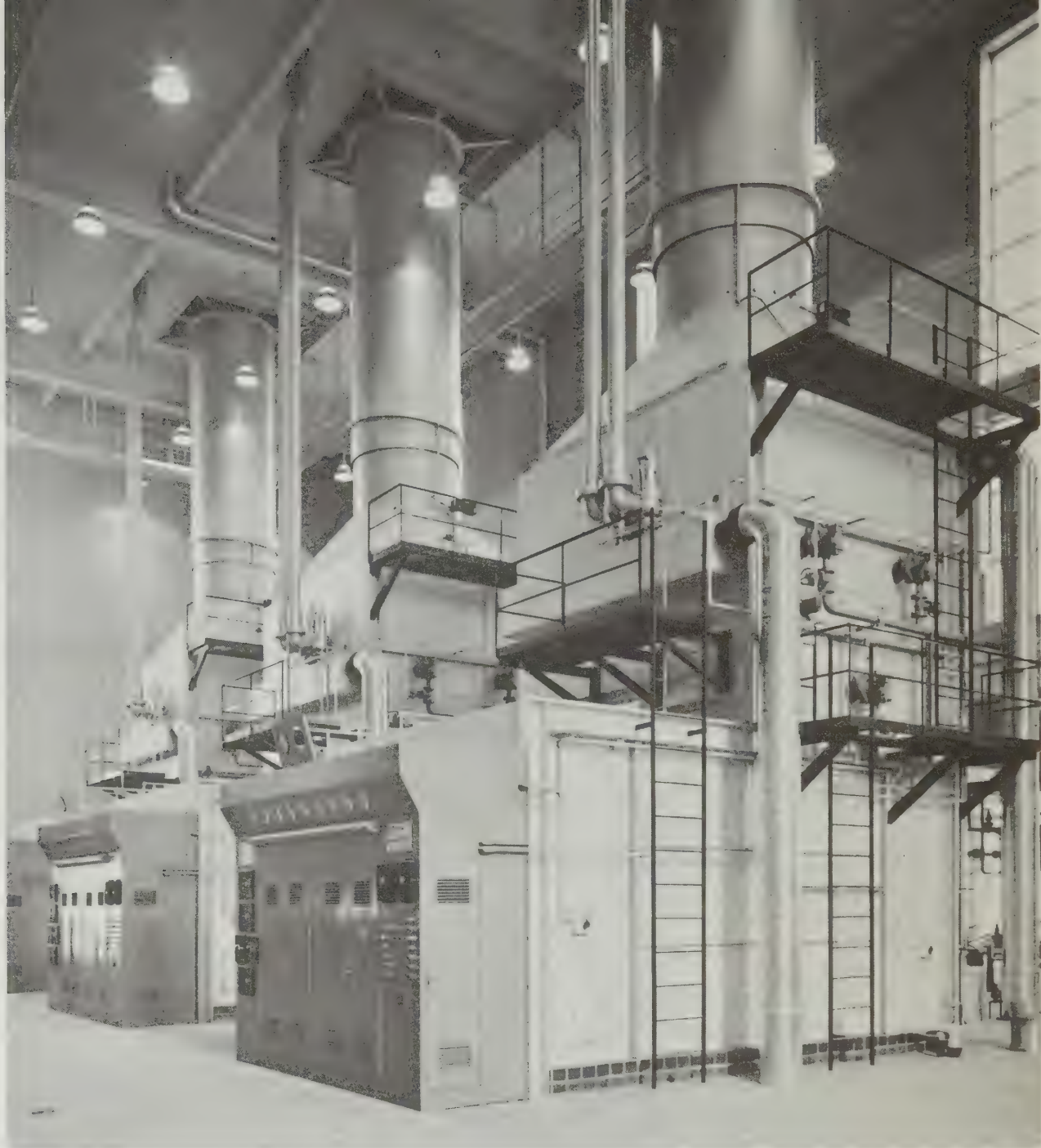


PLATEWORK

PULP MILL EVAPORATOR

The Company's B.C. operation has been heavily engaged in the erection of buildings and the production of equipment for pulp and paper industries, both at home and abroad. Shown here is part of an evaporator system being hoisted aboard a freighter for export to Chile.





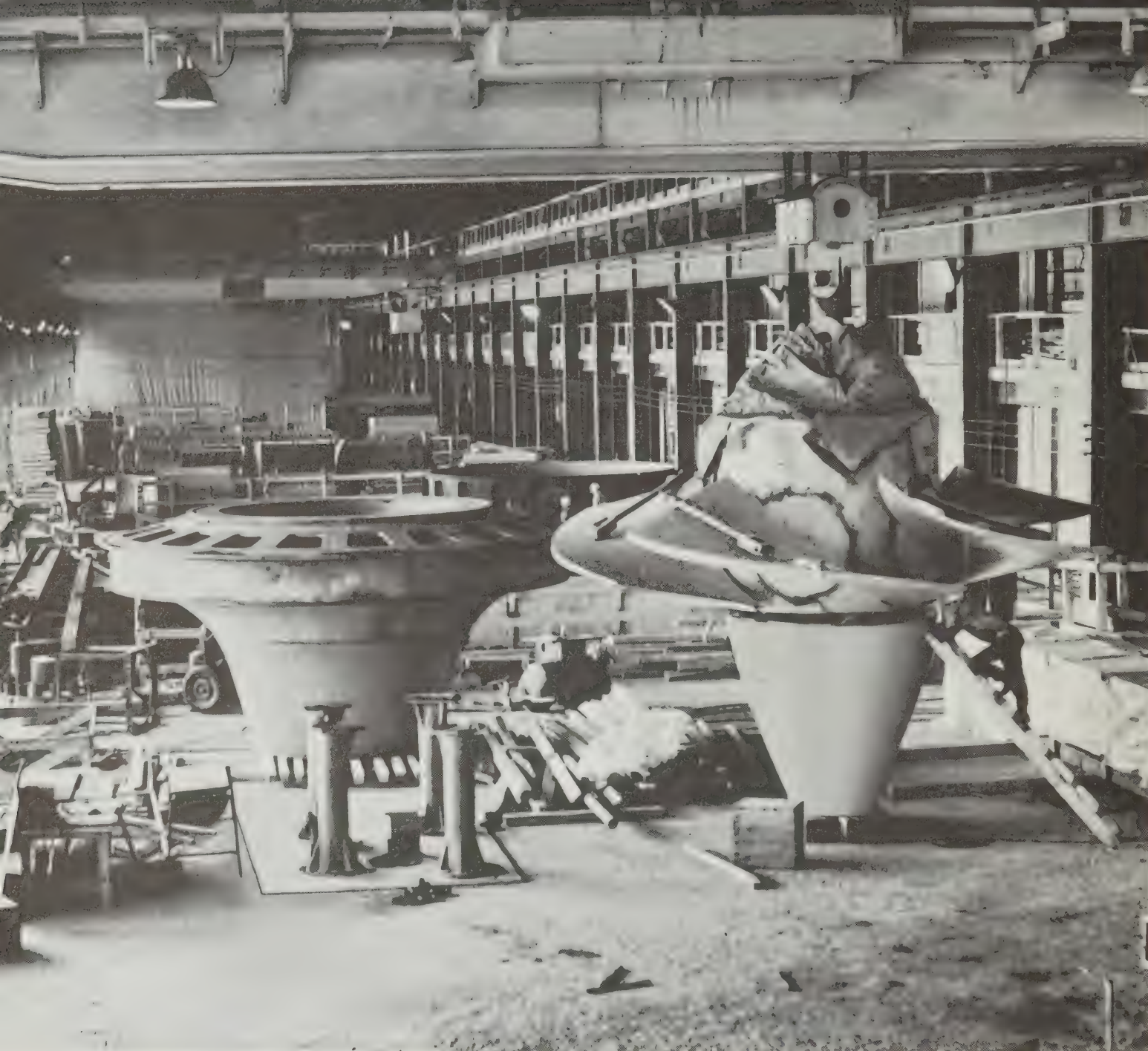
BOILER PRODUCTS

The application of high temperature water boilers to the central heating of buildings spread over large areas, has been growing rapidly since its introduction into Canada several years ago. The Company is proud of the fact that it has designed and produced more units than any of its competitors. This triple installation in the University of Montreal has a total capacity of 225,000,000 btu's per hour.



HYDRAULIC GATES

A product of the Mechanical Division, Dominion Bridge hydraulic gates control most of Canada's harnessed waters. They have, for many years, been used in power projects, canals and waterways. These gates are part of the Manitoba Hydro Grand Rapids Project. Each is 40' x 42' 6" high.

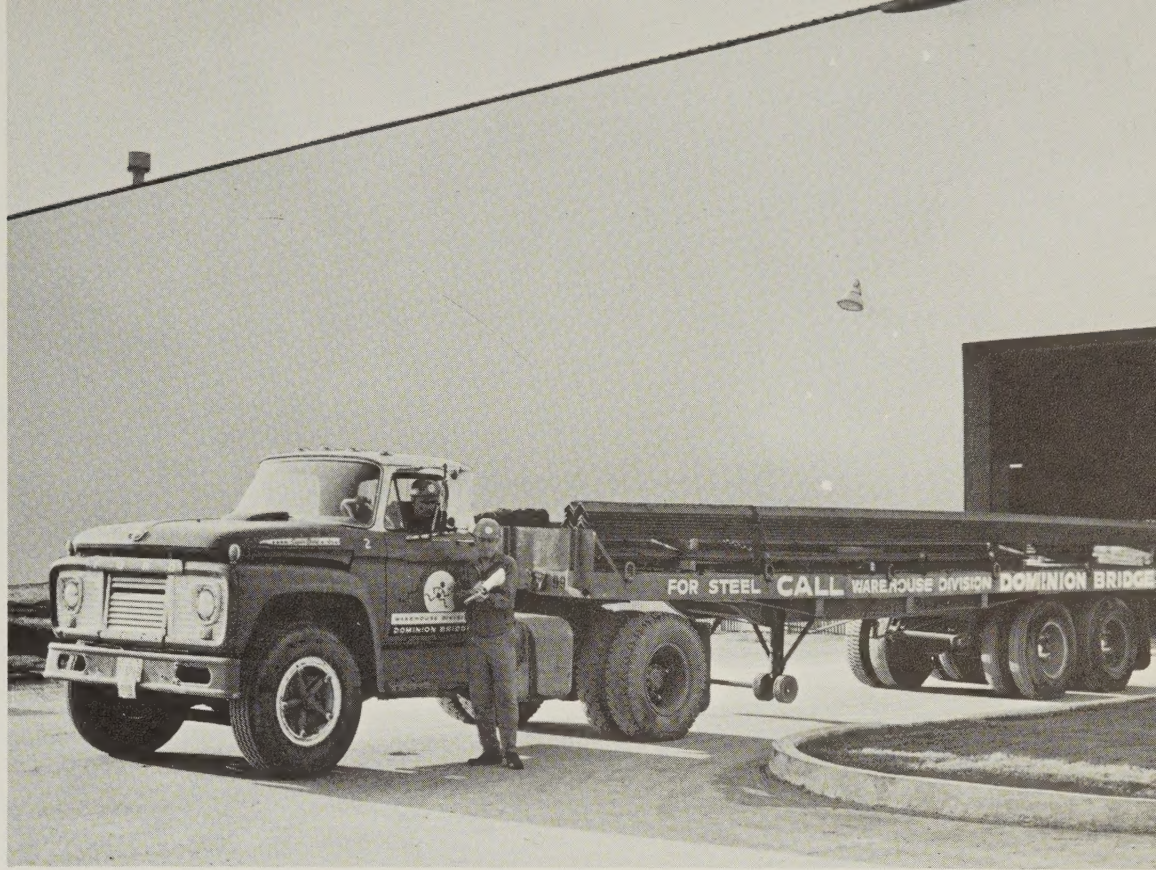


CONSTRUCTION SERVICES

A wide range of equipment and the extensive experience of construction crews, while applied mainly to the Company's various fabrication divisions, are also heavily engaged in construction contracts for other companies. Both large and small work was undertaken during the year. This photograph taken at Hydro Quebec's Carillon Power Development where fourteen 16,000 HP turbines were installed for Dominion Engineering Works Limited.

STEEL WAREHOUSING

The key to successful warehousing is service. The Company operates fourteen steel service centres across the country and a high standard of customer service is maintained at each outlet. This delivery truck, one of many bearing strong and familiar Company identification, is seen leaving the warehouse at Cooksville, Ontario.



MANITOBA BRIDGE AND ENGINEERING WORKS

Manitoba Bridge, with its extensive manufacturing facilities in Winnipeg, produced a wide range of products to meet the needs of industry in all Prairie provinces. This flat car is being loaded with sections of a 3,100 foot, 60 inch diameter aluminum duct line that will be used in a mine shaft ventilation system.

